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FARM MORTGAGES AND THE SMALL FARMER.

CERTAIN economic alarmists have raised of late the cry : "The independent small farmer in the United States is in danger of extinction." If this be true, it needs no lengthy argument to show how grave a peril confronts us : the disappearance of the small farmer would obviously entail wide-reaching disturbances and radical changes in our whole economic and political civilization. But what is the basis on which this alarming assertion rests ? It is the alleged "dangerous increase of farm mortgages." So great is the burden of indebtedness, we are told, that the West, sometimes described as "the land of corn and wine," might better be termed "the land of mortgages." The mortgages, it is claimed, are not being lifted ; the land is consequently passing into the ownership of "capitalists," and the independent tillers of small farms will inevitably be replaced by a class of tenant farmers. These warnings and prophecies have been extended to include states as far east as Michigan and Indiana, and, in some cases, the Atlantic sea-board even. The falling value of land in the oldest settled states is assumed to forebode the disappearance of the small farmer in those states also.

While it is undoubtedly true that the volume of land mortgages, especially in the West, is constantly swelling, it is also true that there are very meagre resources of statistical and other data on which to ground a judgment that the increase indicates a disheartening outlook for the small farmer. In the absence of reliable statistics mere rumor has been drawn upon in order to spread the alarm.

To show the importance of drawing data from trustworthy sources, two citations may be made. During the late presidential campaign it was claimed that the mortgage indebtedness of Illinois was \$620,000,000. The bureau of labor statistics for that state has issued a report which shows that the mortgages

on farm lands (Cook county not included) aggregate only \$123,733,098, nearly twenty millions of which are for deferred payments. The second citation is furnished by the *Baltimore Sun* of February 1, 1889. In an editorial of that issue reference is made to the embarrassed circumstances of the farmers of Bucks county, Pennsylvania, one of the richest and most prosperous counties of the state. According to the *Sun*, land there has fallen one-half, in some parts of the county more than one-half; the farmers generally are living beyond their means, and matters have reached that point where they are driven to hold meetings to discuss measures of relief. The testimony of the county recorder, however, is not corroborative of this state of affairs. He says:

The farmers of the county have held no meetings to discuss the difficulties to which you allude. In two or three sections of the county they have held several meetings as to the advisability of extending certain railroads and devising plans of raising the necessary funds. The renters of farms seem somewhat to be hunting other pursuits this coming spring, but the owners of small farms do not seem to be disappearing or their lands falling into the hands of large property holders.¹

A list of mortgages furnished by the recorder contains the number entered of record each year during the last twenty years. The lowest number recorded (544) was in 1871, the highest (710) was in 1877.

Up to 1879, no state west of Ohio had an organized bureau of labor statistics, and of those now existing only the Illinois and the Nebraska bureaus have made any compilations which throw much light on the economic situation of farmers as a class or of small farmers in particular. Tables giving merely the amount of mortgage indebtedness² are of little value; for, as Mr. Frank D. Jackson, secretary of state for Iowa, says:

The record kept by the county recorders always shows the original amount of indebtedness, although the note secured thereby [*i.e.* by the mortgage] may bear credits almost equal to its face value.

The commissioner of the Michigan bureau states³ that there are

¹ Letter, dated March 11, 1889.

² As in the Michigan Report for 1888.

³ Report, 1888, p. 390.

no means of knowing to a certainty whether mortgages are being discharged faster than new ones are being recorded.

Mr. Henry M. McDonald, president of the Traders' bank, Pierre, Dakota, estimates that the volume of Western-mortgage business, confined chiefly to Kansas, Nebraska, Minnesota and Dakota, has reached the sum of \$150,000,000 yearly. It may exceed his figures. That it is of great magnitude is evident from the fact that in all Eastern cities (and in most of the towns and villages) are located numbers of agents who make a living from the commissions paid them for securing loans. Boston numbers more than fifty agencies of farm-mortgage companies. It is computed that Philadelphia alone negotiates yearly more than \$15,000,000 of Western loans. Kansas and Nebraska have 134 incorporated mortgage companies. The companies organized under the laws of other states but operating in these two states increase the number to at least 200. In this reckoning no account is taken of firms and individuals, although a large amount of money is directly invested by lenders of this class.

It is hardly worth while to pause to consider whether a business of such vastness is increasing; it is safe to assume that statistics, if yearly compiled, would show a steady growth. It remains to be considered whether the present magnitude or prospective increase of this business threatens to work injury to the industrial interests of borrowers. On this point a pretty correct judgment may be drawn from the story of the rise and growth of Western farm mortgages—a story which is soon told.

In every new section the balance of trade for a few years is always unfavorable. A man does not go West for free land because he has plenty of money to spend, but because he lacks money. Settlers locating on unimproved land, more or less remote from towns or railroads, find that everything they have to buy costs a great deal, and what little they have to sell (if indeed they have anything to sell) brings a very low price. For two or three years, as a rule, there is nothing of consequence coming in, unless the settlers find work for themselves and their teams. In the meantime they are subjected to constant ex-

pense for building purposes, fencing, farming implements, *etc.*, and until they get something like proper returns from their farms, their outlay is much greater than their income. The balance being against them, they soon make away with what little money they have brought with them. Merchants have to sell on credit, and they too experience the same financial embarrassment. The borrowing of money from the East therefore becomes a necessity in order that any satisfactory progress may be made in the development of the country. From this point of view, it is evident that the placing of a mortgage on a farm is evidence of thrift rather than the contrary. Without mortgages, development would have to proceed at a slow pace, as at the beginning of the century, when emigrants began to cross the mountains into Kentucky and Ohio. The rapidity with which the country has been settled and improved marks the dividing line between the old and the new West. The old West (of which Indiana and Illinois are the centre, and Western Ohio, Southern Michigan, Southern Wisconsin, Eastern Iowa and parts of Missouri constitute the border) moved forward at a snail's pace, with but little help from railroads or Eastern capital. The new West, lying largely beyond the Mississippi and north of Chicago, is making greater progress in one year than the old West accomplished in ten. Take, for example, Dakota (or what is now the two Dakotas), with 75 per cent of the farms mortgaged for sums amounting to \$50,000,000. In 1880 Dakota's wheat crop was 2,830,289 bushels; in 1885 it had reached 38,166,413; two years later it reported the astonishing yield of 62,553,449 bushels. These figures almost equal the combined product of Illinois and Indiana after fifty years of slow material development. Will any one say that Dakota's advance is the result solely of changed conditions, whereby settlers, instead of having to wait years for railroads to come to them, find railroads built in advance and ready for the people to move in and occupy the land? Has not Eastern money been a beneficial factor in this development, enabling the settlers to build houses and fencing, buy farm machinery and cattle, and push forward other improvements?

The commissioner of labor for the state of Michigan estimates the mortgage indebtedness of that state at \$129,229,553,¹ which is about \$7,000,000 less than the capital invested in manufacturing. Only about one-half of this indebtedness (\$64,392,580) is on farms; and the inference is that the other half has been incurred by tradesmen and manufacturers. The commissioner continues his report in these words :

While the mortgage indebtedness operates as a mammoth sponge, constantly and unceasingly absorbing the labor of others, on the other hand the amount invested in manufacturing institutions is a benefit to the whole community, as it gives employment to 114,890 men, 8,245 women and 5,872 children, who annually receive in wages the sum of \$44,213,739, which in turn is spent among the business men, thus building up prosperous villages and cities.

The commissioner should have stopped to inquire how much of the capital invested in manufacturing was borrowed and constituted a part of the \$129,229,553 mortgage indebtedness. And his report suggests a further question : If borrowed money applied to manufacturing "is a benefit to the whole community," may it not be argued that the same is true of the \$64,392,580 used by farmers in their occupation? Their indebtedness being nineteen per cent of the estimated assessed valuation of all the farms of the state, nineteen per cent of the entire farm products (about \$100,000,000) must be credited to mortgages. From this \$19,000,000 must be deducted \$4,636,265 interest paid to mortgagees. This interest answers to the profits retained by manufacturers. The remainder, \$14,363,735, is the farmers' spending money, they being their own employers.

But we may go further and say that, as many manufacturers would not have been able to start in business had it not been for the aid of borrowed capital, so, without the friendly aid of the mortgage, many farmers would find the purchase and cultivation of farms beyond their reach. Instead, therefore, of crediting nineteen per cent of farm products in Michigan to mortgages, we should be nearer the truth in crediting fifty per cent, since nearly fifty per cent of the farms are under mort-

¹ Report, 1888, p. 391.

gage. This gives the handsome figure of \$50,000,000 of farm products directly attributable to the presence of mortgages. Subtracting the interest, we have left \$45,363,735 for distribution among farmers.

The commissioner's assertion regarding mortgage indebtedness on farms, that these mortgages operate "as a mammoth sponge, constantly and unceasingly absorbing the labor of others," is an assertion which is frequently made concerning manufacturing institutions; and what he claims for manufacturing institutions may in general be claimed for farm mortgages—that they are "a benefit to the whole community," since, in the state of Michigan, they give employment, counting only two laborers to a farm, to 180,000 men (women and children generally being required to attend only to household duties), who annually receive in wages the \$45,363,735 above mentioned, "which in turn is spent among the business men, thus building up prosperous villages and cities."

A problem for the curious is to calculate what portion of Dakota's 62,553,449 bushels wheat yield in 1887 was dependent for its production on the presence of her \$50,000,000 mortgage indebtedness.

To return to the story of the rise and progress of Western mortgages: A short period was sufficient to test the Western loan business, the result proving that money placed on farms was both beneficial to the borrower and a perfectly safe investment to the lender. Then the demand in the East for Western farm mortgages began rapidly to increase. Thousands started up little offices through which to obtain money to place on farms. For years, say up to 1885, the success of the mortgage-loan business was marvellous. Seldom did the lender lose a dollar. The reason was plain: Land increased in value regularly every year, and loans, although they may have been excessive at the time they were made, were given a safe margin by the increase in the value of the security. This led the people of the East to demand more and more of these mortgages. They wanted more than were to be had. Solicitors were sent out by many companies, and large commissions were paid on

loans secured. The result was that farmers were induced to borrow more money than they ought ever to have had. All sorts of pretexts were held out to induce them to borrow ; and they borrowed because it was made easy for them. Irresponsible loan agents sprang up by hundreds. Eastern people began to consider any security that had a Western name on it a good investment. At length, in 1886, there came a pretty general failure of crops. In 1887 there was almost another failure (some sections of course being excepted), and the result last year was much the same. As a consequence, the irresponsible agents are seeking other business ; and many Eastern people are acquiring Western real estate, and are likely to do so for some time to come.

The conclusion to be drawn from this sketch of the rise and progress of Western loans is that, while they have elements of strength, they have also elements of weakness. Among the elements of strength must be placed : First, the certainty that in a series of years the lands pledged as security will advance in price. Secondly, the character of the people who seek the West to make homes for themselves. Usually they are young and energetic men and women ; if foreigners, they are frugal and willing to endure privation in order to lay up money. A third element of strength is the larger margin of profits which, owing to a fresh and exceedingly fertile soil, the Western farmer has over his competitor of the East.

Passing to the elements of weakness in Western mortgages, we may note the growing feeling of contempt with which the farmer's calling is regarded. Though the energetic character of the people who are settling the West has been mentioned as an element of strength, it is well to note that this very energy contains within itself a concealed risk. The Western farmer's energy and ambition may at any time master his better judgment and beget dissatisfaction with farming because, followed in the old-fashioned method, it is too slow a way of making money. The energetic man, having caught the spirit of an age eager for quickly acquired fortunes, is allured into planning how he may push farming vigorously and in six or eight years

retire with a competence. Knowing that there are loan companies without number ready to accept his land as first-class security, he listens to the smooth words of a soliciting agent and gives a mortgage. With the money he buys stock or speculates in other farming land or in town lots. His hope of gain centres no longer in the yield his fields may bring him, but in the outside ventures he has made. He began by borrowing from choice; he ends perhaps by borrowing from necessity.

The chief element of weakness in Western mortgages (irresponsible loan companies and risk of crop-failure being passed over) is overloaning. This danger has been brought about and intensified by the abundance of Eastern money seeking the Western market. Owing to competition, security has readily been accepted, which, had money been scarce, would have been rejected as insufficient. Many companies risk the full value of the land mortgaged. A visit to almost any county seat in the border settlements will disclose even more surprising facts: it will be found, *e.g.*, that a certain mortgage company has loaned a farmer \$1,500 on land which he had been offering at \$1,200 but a short time previously.

The consequence of such overloaning is evident. The farmer who has been able to borrow nearly or quite the full amount of money for which he would sell his farm, is tempted, if his crops fail or if he be otherwise unsuccessful, to say: "Here, take my land." Many who are of a roaming or speculative tendency seek this opportunity to make a change. Overloaning therefore, if unchecked, will work disastrous results in throwing a good deal of land on the market at a low price. Reaction will set in, and the money which is now so freely offered for Western loans will seek other channels of investment. The supply becoming insufficient for the demand, rates of interest will once more rule high even where the widest margin of security can be furnished. Thus will a general check be put on the progress of improvement throughout the section which overloaning has affected.

Responsible loan companies have become alarmed and more conservative methods are reacting against the impending evil,

in the hope that it may be averted and that these mortgages may continue to hold their high rank as securities on the one hand and on the other their place as a beneficial factor in the development of the resources of the country.

In so far, therefore, as it concerns the new West, the growth of farm mortgages to their present immense volume, instead of indicating lack of prosperity, is rather to be taken as a proof of prosperity. It is true that many farmers now borrow from necessity, owing to crop-failure or mismanagement, who formerly borrowed from choice. Many have been induced to borrow unwisely; perhaps from the consideration that when there were such great facilities for decorating their farms with mortgages, it was showing lack of enterprise to let so much good security go to waste.

Whether the number who have become embarrassed is composed chiefly of small farmers, statistics give no light beyond that contained in the Nebraska report for 1887-88. On page 380 are tabulated the reports of 215 farmers living in all sections of the state. Each farmer gives the number of acres in his farm; states whether he is owner or renter; whether his farm is mortgaged; whether he saved or ran in debt during the preceding year; also whether he saved in previous years. An analysis of these reports shows that, of the 215 farms, 113 are mortgaged; of the 78 owners of farms who saved last year, 41 (more than half) were carrying mortgages. The losses, classed according to size of farms, show the highest percentage of losers among owners of farms of 320 acres and over; the lowest percentage among owners of farms of between 80 and 160 acres. The figures run as follows:

Size of farms.	Number of farms.	Percentage losing money.
Under 80 acres	5	40.
80 acres	17	41.2
Over 80 and under 160 acres	15	13.3
160 acres	76	37.
Over 160 and under 320 acres	27	40.7
320 acres	13	53.9
Over 320 and under 640 acres	10	50.
640 acres and over	7	55.

The above showing indicates that, if the new West has to pass through a period of general depression, the large landholder will be the chief sufferer. If landlordism, as a system, is to gain a footing in the United States, it will be secured first in the West, where there are the best opportunities offered for buying extensive tracts of land. Further east the tendency is towards smaller farms. In the West, also, the testimony of those acquainted with the real-estate market is that large bodies of land are seldom bought for other than speculative purposes, the aim being to sell in small tracts as soon as the coming of immigrant farmers creates a demand for land to be cultivated.

But it is in the old West chiefly that the alarmist thinks he has discovered conditions that give warning that the small farmer is in danger of extinction. As has been remarked, Indiana and Illinois lie in the centre of this territory and constitute the greater part of its area.

The increase of mortgages in Indiana, Illinois and adjacent territory being admitted, does this increase justify the apprehension that the farmers of this region are threatened with dangers greater or of a different character from those which may have to be encountered by the farmers of the new West?

Whatever may be the unwise risks taken by the farmers of the new West, those of the old West are, with rare exceptions, proof against such temptations. They are eminently conservative and close calculators. Borrowing on mortgage is resorted to only when there is undoubted evidence that the percentage they can make on the added capital will be sufficiently above the interest they pay to ensure them a safe profit and in a few years enable them to lift their mortgages.

But the alarmist here steps forward with the assertion that the great increase of mortgages, instead of proving that borrowed money yields a good profit to the borrower, in reality shows that the mortgages are not being lifted.

Sometimes statistics are of great value, sometimes of none whatever. Their worth in indicating the industrial condition of farmers can be determined only by an appeal to the facts that lie behind and explain the statistics.

I shall take a community of seven farmers in one of the best sections of Indiana.¹ Were there space, I should like to run over the history of these farmers for the eight years 1872-80, during which period it is claimed that statistics show an annual increase of \$12,000,000 mortgage indebtedness in Indiana. The record of three visits must suffice. The first, in 1872, furnishes the following entry :

J. H. — Farm of 80 acres ; five sons ; no indebtedness.	
R. W. — Farm of 215 acres ; no sons ; no indebtedness ; loans, \$3,000.	
H. D. — Farm of 160 acres ; two sons ; no indebtedness.	
B. T. — Farm of 80 acres ; one son ; mortgage of	\$2,500
W. T. — Farm of 240 acres ; four sons ; mortgage of	10,000
J. A. — Farm of 125 acres ; two sons ; mortgage of	500
W. G. — Farm of 80 acres ; two sons ; mortgage of	250
Total mortgage indebtedness (1872),	<u>\$13,250</u>

Entry made on second visit, 1876 :

J. H. — Circumstances unchanged ; three of his sons, now of age, are renters on other farms.	
R. W. — Loans increased to \$5,000 ; has rented farm to a son of W. T., and has moved to town.	
H. D. — Loans, \$500.	
B. T. — Mortgage lifted.	
W. T. — Mortgage reduced to	\$4,000
J. A. — Farm sold to H. G., who has three sons ; mortgage of	2,000
W. G. — Circumstances unchanged ; mortgage of	250
Total mortgage indebtedness (1876),	<u>\$6,250</u>

Third visit, 1880 :

J. H. — Intemperate ; mortgage of	\$500
R. W. — Has sold farm to a son of W. T., and holds mortgage for	8,000
H. D. — Has sold farm, and moved to town ; holds mortgage for	5,000

¹ I turn away from that part of the state where it is asserted that "the small farmer who tills with his own hands his farm of 80 or 160 acres, cannot, after paying his taxes and repairing his buildings, give himself a salary of \$400 per year from which to furnish food and clothing." (Complaint of the Poor, *The Independent*, July 26, 1888.) All industrious farmers, settled on land so poor as that, would do well to surrender their title to the government. Teaming at \$2.00 per day would pay better.

B. T. — Has sold farm to one of J. A.'s sons ; holds mortgage for	\$3,000
W. T. — Has sold farm ; holds mortgage for	7,250
H. G. — Has reduced mortgage to	1,500
W. G. — Shiftless ; mortgage of	350
Total mortgage indebtedness (1880),	\$25,600

According to this exhibit, the mortgage indebtedness upon these farms has increased, during the last four years, nearly \$20,000, and the amount is nearly double that of 1872. But will any one deny, after examining the facts set forth above, that these farmers, with but two exceptions, have been prosperous ?

A consideration too important to be overlooked, is that farmers' families, like other families, are composed of sons as well as daughters. Farmers seldom speculate and seldom make money with sufficient rapidity and in sufficient amount to be able to start these sons in life without their incurring some indebtedness. And indeed, where a farmer has abundant means and perhaps only one son, he is more inclined to keep possession of his property and let his son fight his way up, as he himself had done. Were there, therefore, no other explanation of the increase of mortgages, it could be found in the increase of farmers' sons, who, ambitious to acquire farms of their own, seek the first opportunity to purchase. They do this even though it involves a mortgage which they know will not be lifted perhaps for five or more years.

But let us see whether there are not other causes for the increase of mortgages in the old West — causes equally compatible with conditions of true prosperity. During the twenty-five years in which the new West has been moving forward so rapidly, Indiana¹ has likewise been experiencing a development sufficiently marvellous to attract general notice, were it not that public interest has been drawn more towards the border of

¹ The writer has made personal observation of the material progress of Indiana during the last twenty-five years, and if that of Southern Michigan be similar (as there is reason to believe it is), there need be no alarm over the mortgage statistics of either state.

civilization.¹ Without pausing to refer to railroads, the factors in Indiana's development to which it is desired to draw special attention are tile drainage and the building of gravel roads.

It is a generally conceded fact that a country's roads are the measure of its civilization viewed from the material side. The gravel-road laws of Indiana are in the main copied from those of Ohio.² When the majority necessary to secure a road has been obtained, the tax to build is levied alike on those who voted against the measure and those who voted for it. The farmer already burdened with a heavy mortgage is mercilessly left to pull through as best he can. From fifteen hundred to two thousand dollars per mile is the cost of construction. There are no statistics to show the amount that the farmers of Indiana annually put into gravel-road improvement, but it undoubtedly is a very large sum. It is of sufficient importance to be itemized on tax receipts. A transcript from the semi-annual tax receipts for a farm of one hundred acres gives the following entries :

1888.

State and county tax	\$18.60
Credit by road tax	2.15
	\$16.45
Gravel roads (tax on two)	25.60
	\$42.05

1889.

State and county tax	\$24.52
Credit by road tax	5.38
	\$19.14
Gravel roads (tax on two)	25.60
	\$44.74

¹ But in fact, though Kansas and Nebraska lie, on an average, seven hundred miles west of Indiana, in so far as development is concerned the three states may well be placed side by side. Hence the same favorable conditions fostering the increase of mortgages in Kansas and Nebraska may be conceded for Indiana.

² Ohio is becoming well furnished with a system of free gravel roads, in places built on adjacent section lines, so that some sections are gravelled on every side. The tax on the farmers has been heavy, often running as high as \$5.00 per acre.

Probably two millions would be a low estimate for the total annual tax raised throughout the state for the building of gravel roads.

The history of tile drainage as a factor in the industrial progress of the West is yet to be written. The literature on the subject is very limited, and what little statistical matter has been compiled is very unsatisfactory. The tiling of land began in Indiana about twenty-five years ago. Previous to that date "wooden ditches," lasting only a few years, were used. In tiling, as in gravel roads, Ohio had already led the way. Tiling met with bitter opposition in Indiana as elsewhere, because of the expense, although from the first it was conceded that land once thoroughly tiled was "fixed" for ages to come. The advocates of the innovation slowly gained ground. They showed their faith by borrowing money, where necessary, to buy tile. In 1875, by which time a complete victory had been won, the manufacture of tile had assumed the proportions of a vast industry. The Indiana farmers were convinced that, if it paid to borrow money for anything, certainly it might well be done to push tiling. Wet land, which would yield only from ten to twenty-five bushels of corn per acre, was changed, as if by magic, into fruitful fields from which began to be gathered sixty and often seventy-five bushels. Land worth only thirty dollars jumped to sixty and eighty. To-day tile factories are running at full capacity, notwithstanding the millions that have been invested in ditches. The owner of a tiled farm will smile at the mention of a mortgage of two or three thousand dollars. The Indiana farmers have exemplified over and over again the wisdom of Johnson of the state of New York, who has won for himself the honor of being the father of tile drainage in America. He was a Scotchman who, back in "the forties," sent to his native land for his first tiles. Though laughed at by his neighbors, he persisted in his purpose, having sufficient faith in results to go to the bank and borrow the money necessary to pay the cost of his experiment. After his first crop on his tiled land he was ridiculed no longer.

The Indiana bureau of statistics reports (1887-88) 3,415,461

rods of tile ditching put down during 1887. At an average cost of not less than fifty cents per rod, the expenditure amounts to \$1,707,730. This, added to the amount estimated for gravel roads, gives (on these two items only) nearly four millions yearly put into improvements by the farmers of Indiana. In Dakota, it costs about \$4.00 to bring an acre of land under cultivation. Between 1880 and 1885 the annual increase of acreage averaged about one million acres, or an investment slightly in excess of that which Indiana has put into ditching and roads. The progress made in the development of Dakota's resources has been noised abroad; Indiana has been working quietly. Dakota has had the help of Eastern money; Indiana has accomplished nearly as much with money which has generally been obtained within her own borders. If Dakota has been enabled to move forward so rapidly while subjected to an annual interest drain of half a million, surely any increase there may be of mortgages in Indiana is no cause for alarm, especially considering that the bulk of interest money is kept at home.

Passing into Illinois, we find that the resources of this state, like those of Indiana, are in process of development, but are in a much less advanced stage. As to the gravel roads of Illinois, nothing is to be said, for the simple reason that she has none worth mentioning. As to tile drainage, Indiana was well advanced before Illinois awoke to a realization of its importance. In 1875, when Indiana had been tiling for more than ten years (an antecedent period of experiment being unreckoned) and had tile factories at almost all her cross-roads, Illinois had only twenty-four in the entire state. In 1880 the number had increased, but only to 166. The next four years (1880-84) were marked by a great awakening, and factories multiplied to 526.¹ Since 1884 no statistics have been collected, but the progress, though great, should have been much greater, considering that hardly a fair beginning has yet been made towards giving the state a thorough tiling. The best thing that could happen to the farmers of Illinois would be for them to experience a common impulse to swell their \$123,000,000 mortgage indebtedness

¹ Report of State Bureau, 1884.

by borrowing money to do ditching, as well as to build gravel roads where gravel is to be had. There would be no cause for serious apprehension if the interest rate went up to eight or even nine per cent. This would bring back to Chicago the loan agents who have gone to Indianapolis, or to points further west or northwest. If Indiana farmers have found it profitable to borrow money to build roads and put in ditches, surely those of Illinois, with a superior soil, can be running no risk.

The old West has little to fear from reckless methods of loaning; and if the new West can be saved from being thus brought into disrepute, the outlook is encouraging alike for both sections. The movement to help the distressed mortgagor by taxing mortgages is uncalled for as well as unwise. The burden of such a tax would fall ultimately on the borrower, this result being attained either through a rise in the rate of interest or through direct contract, the mortgagor binding himself to the mortgagee to pay the tax levied on the mortgage. Oregon passed a law taxing mortgages, but it was soon discovered that the lenders made the borrowers carry the burden.

The number of foreclosures rather than the number of mortgages furnishes the best basis on which to ground a judgment whether farmers are becoming embarrassed. But even foreclosures, within a moderate limit, work beneficially in so far as they weed out shiftless farmers. A mortgage foreclosure may be reckoned as equivalent to a failure in farming. The percentage of such failures is much less than that of the business world. Against the 43,079 mortgaged farms reported by the Michigan bureau (1888) there are only 1667 foreclosures. Of this number it is fair to infer that many were against parties who mortgaged their land and put the money into business ventures.

The Nebraska labor-bureau report (1887-88) contains a chapter (page 205) on the causes of the farmers' failures, based upon the answers obtained *from farmers* to inquiries addressed to them by the bureau. Among the evils repeatedly mentioned is the acquisition of more land than can be properly cultivated. That is to say, the opinion prevails among farmers themselves

that the most favorable conditions of success are those of the small farmer, whose fields are of such a size that he can carefully till them.

A classified enumeration of the reports gives the following results:

88 reply: Too high rates of interest.¹ 76 reply: Too high rates of freight.² 55 reply: Carelessness about going into debt.³ 51 reply: Buying too much machinery.⁴ 50 reply: Low price of produce.⁵ 49 reply: Poor crops.⁶ 49 reply: Monopolies. 35 reply: Mismanagement. 32 reply: Living beyond income.⁷ 28 reply: Too much loafing. 21 reply: No organization. 19 reply: High taxes. 19 reply: Do not take care of machinery. 18 reply: Loss of stock. 16 reply: Too much drinking. 12 reply: High price of fuel. 11 reply: High price of lumber.⁸ 10 reply: Too many mortgages. 7 reply: Overproduction.

These farmers, speaking of their own business, certainly speak with knowledge; and they seem also to have spoken with candor. It will be noticed that "high rates of interest" heads the list. It is well to bear in mind that this is not farm-mortgage interest (which ranges from six to eight per cent), but interest drawn by short time loans obtained of banks or individuals. The amount of indebtedness which the farmers

¹ "Borrowing money on chattel security, and then paying two and three per cent a month." (Page 210.)

² "The government should take steps towards establishing a special rate on lumber and coal to Nebraska." (Page 207.)

³ "Going in debt for a great many things that could be done without, and depending on the next crop to pay for them; then, if the crop fails, they have to borrow money at a high rate of interest, and once in debt it takes a long time to get out. Some never do without selling their farms." (Page 214.)

⁴ "Paying a large interest on machinery bought on time, and then letting it stand in the field and rot." (Page 214.)

⁵ "What we want is anything to lessen freight rates *and give us a better market.*" (Page 215.)

⁶ "Drought is a serious cause of failure, causing short crops, necessitating the running in debt perhaps at the banks with interest at two per cent a month, which soon swamps the farmer." (Page 207.)

⁷ "A majority of the farmers are poor when they begin their work, and have to borrow money at a high rate of interest in order to get a start in the manner they imagine they should begin." (Page 209.)

⁸ "Lumber is one of the main wants in this country for the protection of our stock industry; and the price is so high that we cannot afford to purchase the amount necessary to shelter our stock." (Page 207.)

throughout the West are thus carrying in addition to the land mortgages is very great. The drain of this indebtedness upon the resources of the people, at two and three per cent interest per month, is so heavy that, comparatively considered, it is a privilege and a blessing to pay the land-mortgage interest. That farmers attribute little of their misfortunes to the latter is evident from the small number (ten) who reply: "Too many mortgages."

Whatever may be the ground for ominous predictions in regard to the future of the workingman in trades and manufactures, the outlook for the small farmer is most encouraging. His day is rapidly approaching. He can now easily cultivate twice as much land as he could twenty-five years ago. Being his own employer, he reaps the benefit of every improvement made in implements and machinery. He does not, like many factory wage-workers, regard the mechanical progress of the age as detrimental to his interests. He has no fears such as haunt those who apprehend being made slaves to vast manufacturing corporations. Nor has he any fear that a monopoly of production will drive him from the field. Nature is his best friend. The shoe manufacturer may double his force and run extra hours summer and winter, thus throwing on the market double the usual stock. Nature in its rotation of seasons compels an entire suspension of agricultural operations every winter. She says: "One crop a year and then a long rest." Thus she co-operates in promoting the small farmer's interests. He knows that the capitalist farmer cannot, by doubling his working force or by spending any amount of money for improved machinery, so push his crops that he may have two in one season. When his day's work is accomplished, the small farmer can lie down and sleep contentedly, knowing that, if he has done his duty in cultivating his fields, the growth of his crops will keep pace with that of the richest landholder.

Probably the most encouraging outlook for the small farmer lies in the growing tendency to emphasize the importance of close farming. Those who study most carefully the progress of agriculture in the United States, tell us that one of its most

alarming features is the steady degeneration of the soil. In New York the wheat crop went down in twenty years from thirteen bushels per acre to ten bushels. Sweeping around southward through the states as far as Texas and then northward, one meets with the same decline, though not always to a uniform extent. Ultimately soil deterioration will be to the small farmer's gain, for the day is coming when the conviction will generally prevail that close farming gives the best profits. President Smart of Perdue university says :

Close farming will never be done under the landlord and tenant system. The best results will be secured by small owners who, with their sons and daughters, have an interest in the soil and a taste for the business.

Besides the advantage in prospect for the small farmer from the reaction against soil degeneracy, it is necessary to note also, if we would have a full survey of his economic environment, a manifest reaction against moral degeneracy. It will be sufficient to cite a piece of evidence which comes from Washington county, Georgia. During three years of license, the number of small farmers among the colored people stood each year 5,886, 6,001 and 6,046 respectively. One year ago the county voted "no license." The report just made is that the number of small farmers (colored) has been nearly doubled, going up at one bound to 11,690.

Evidently the enemy most dangerous to the prosperity of the small farmer, white or black, is not the mortgage.

W. F. MAPPIN.